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D R A F T
NPIC/TDS/D-1089-67
20 October 1967

MEMORANDUM FOR: Assistant for Technical Development, NPIC

SUBJECT : Recommended action to be taken on Overrun Situation
X1 with [redacted], for one PI Print Enlarger
X1 and Contract [redacted] for two Viewgraph Generators.

X1 1. [redacted] has requested substantial overruns on both of the subject contracts and has stopped work in both cases. Although NPIC personnel
X1 visited [redacted] to review the reasons for the overruns and requested [redacted] 25X
to re-evaluate their position, the revised figures received on 12 October 1967 give no evidence of the contractor's desire to absorb any of the costs. This is disturbing in that the overruns in both cases seem due
X1 to [redacted] mismanagement, starting with the proposals and continuing to
X1 date. [redacted] management personnel with whom the matter has been disucssed, apparently see nothing incongruous in expecting the Government to pick up the bill for costs incurred due to poor company managerial performance.

2. ~~Irregardless of how the situation developed however,~~ NPIC is now faced with the necessity of deciding how to proceed. The attached sheets present the alternates available at the moment. Certain facts should be kept in mind, however:

Declass Review by NGA.

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GROUP 1
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a. Even if NPIC agrees to pay both requested overruns in full, there is no guarantee that [redacted] will fulfill the contract without requesting additional funds. [redacted] has refused to agree to a ceiling price arrangement, even with the new increased amounts, on either contract. 25X 25X

b. The idea of performing part or all of the assembly in-house is not really as attractive as it may seem at first glance. NPIC has neither the personnel nor the facilities to exercise this option efficiently.

c. In addition to the subject contracts, NPIC has other contracts with [redacted] involving approximately [redacted] Assuredly, NPIC will be hit for overruns on these contracts also. The only question at the moment is "How Much?". X1 25X

d. It would be advantageous for NPIC in future relationships with other contractors as well as with [redacted] to demonstrate that all costs, no matter how ludicrous, will not necessarily be paid. Further, it should be demonstrated that NPIC does not always feel that projects once started, ~~should always~~ must be completed. 25X

e. Any suggestions contained here are presented from the Development Staff point of view only, and are influenced by the technical rather than the operational and/or political considerations. Recommendations should be solicited from the Photo Interpretation users of these pieces of equipment, and their views given appropriate weight in making the final decision. Plans and Management Staffs, other offices and the

3. It is therefore recommended that:

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X1 a. Contract [redacted] be amended to call for one equipment only to be procured instead of the two equipments presently on order. This is option #2 on attached Sheet B.

X1 b. Contract [redacted] be terminated. This is option #3 on Sheet A attached.

In carrying out the above recommendations, caution should be exercised to insure that negotiations are completed on contract [redacted] before contract [redacted] is discussed with [redacted] In addition, vigilance must be maintained to minimize the padding of other [redacted] contracts due to the above recommended actions.

25X

25X

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ATTACHMENT A

PI Print Enlarger
NPIC Project #10147 Contract [redacted]

25X1

Option	Advantages	Disadvantages
1. Approve overrrun	Equipment will be delivered	Large Overrun. Amount of overrun not controllable. ~~No guarantee of equipment performance.~~
2. Approve completion of all components and assemble at NPIC	All components will be delivered Possibility exists of producing working equipment	Large Overrun (but less than Option #1). Amount of overrun not controllable. Equipment may be too difficult to assemble at NPIC. In-house costs required to assemble.
3. Cancel Contract	Overrun will be small	Equipment will not be delivered. Small overrun will still occur. Amount of overrun not controllable.

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ATTACHMENT B

Viewgraph Maker
NPIC Project #10197 Contract [redacted]

25X

X1

Option		Advantages	Disadvantages
1. Approve overrrun		Two viewgraph makers will be delivered	Large Overrun. Amount of overrun not controllable. ~~No guarantee of equipment performance~~.
2. Have only one Viewgraph Maker completed		One Viewgraph Maker will be delivered	Large Overrun. (but less than option #1). Amount of overrun not controllable. ~~No guarantee of equipment performance~~.
3. Have all parts completed for 2 Viewgraph Makers Assemble one at [redacted] and assemble one at NPIC		One Viewgraph Maker will be delivered and all parts for a second unit will be delivered.	Large Overrun (more than Option #2 but less than option #1). Amount of overrun not controllable. Equipment difficult to assemble at NPIC and may never be completed. In-house costs required to assemble.
4. Cancel contract		Overrun will probably not occur.	Small overrun may still occur. Amount of overrun not controllable. Assembled equipment will not be delivered

X1

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